



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 21, 1998

### **H.R. 4558** **Noncitizen Benefit Clarification** **and Other Technical Amendments Act of 1998**

*As ordered reported by the House Committee on Ways and Means on September 18, 1998*

#### **SUMMARY**

H.R. 4558 would grant permanent eligibility for Supplemental Security Income (SSI) benefits to nonqualified aliens who were receiving benefits when the 1996 welfare reform law was enacted, exempt from SSI eligibility determinations certain charitable awards to seriously ill children, and authorize the Social Security Administration (SSA) to recover SSI overpayments by withholding Social Security benefits.

CBO estimates that this bill would reduce direct spending by \$93 million over the 1999-2003 period. In addition, the bill would make technical revisions to the Temporary Assistance to Needy Families and unemployment compensation programs that would not affect the federal budget. Since this bill would affect direct spending, pay-as-you-go procedures would apply.

The bill would place additional requirements on states for the implementation of large entitlement programs. However, these requirements would not constitute mandates as defined by the Unfunded Mandates Reform Act (UMRA). H.R. 4558 contains no private-sector mandates as defined in UMRA.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 4558 is shown in the following table.

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF H.R. 4558

|   | By Fiscal Year, in Millions of Dollars |      |      |      |      |
|---|--|------|------|------|------|
|   | 1999                                   | 2000 | 2001 | 2002 | 2003 |
| <b>CHANGES IN DIRECT SPENDING</b>                           |  |      |      |      |      |
| SSI benefits  |  |      |      |      |      |
| Nonqualified aliens   | 5                                      | 12   | 9    | 8    | 7    |
| Children with life-threatening illnesses                    | 1                                      | a    | a    | a    | a    |
| Subtotal  | 6                                      | 12   | 9    | 8    | 7    |
| Medicaid benefits   | 4                                      | 10   | 8    | 7    | 7    |
| Recoveries of SSI overpayments                              | - 35                                   | - 40 | - 35 | - 30 | - 30 |
| Total   | - 26                                   | - 18 | - 18 | - 15 | - 16 |
| a. Less than \$500,000.                                     |  |      |      |      |      |
| NOTE: Components may not sum to totals because of rounding. |  |      |      |      |      |

This estimate assumes that H.R. 4558 is enacted by October 1, 1998. The costs of this legislation fall within budget functions 550 (Health) and 600 (Income Security).

## BASIS OF ESTIMATE

**SSI Eligibility for Nonqualified Aliens.** The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), enacted in August 1996, curtailed the eligibility of legal aliens for SSI benefits. Originally, that law was slated to cut off benefits to approximately a half-million aliens in the summer of 1997. However, the Balanced Budget Act of 1997 (BBA) essentially spared aliens who were legally in the United States in August 1996 from the PRWORA restrictions, permitting those already on the rolls to continue receiving benefits, and allowing others (for example, an alien here in August 1996 who becomes disabled in the future) to apply for benefits without restriction.

Of the half-million aliens scheduled to lose their eligibility, the vast majority were "qualified" aliens. Qualified aliens match a short list of legal statuses spelled out in PRWORA, chiefly legal admission for permanent residence, a grant of refugee status, or a grant of asylum. However, about 20,000 were thought to be "nonqualified." Nonqualified aliens include those who are living in the United States with the government's awareness but whose legal status is nonetheless murky. These aliens are sometimes termed "permanently residing under color of law," or PRUCOLs. BBA granted qualified aliens who were on the rolls permanent eligibility for SSI, but gave nonqualified aliens only one more year of benefits, making them ineligible on October 1, 1998. H.R. 4558 would grant these nonqualified aliens permanent eligibility for SSI benefits.

SSA's records generally include a recipient's immigration status at the time of his or her initial application for benefits. This information is not updated regularly and, as a result, may be inaccurate for recipients who have been receiving SSI for a number of years. For this reason, it has long been suspected that many nonqualified aliens have converted their immigration status to one of the qualified categories or become naturalized citizens without SSA's knowledge, and thus should not be affected by the approaching October 1 cutoff. Recent research by SSA bears this out, finding that about 75 percent of the PRUCOLs are either qualified aliens or citizens. CBO now estimates that of the 20,000 aliens initially thought to be nonqualified, only about 3,400 would lose SSI eligibility under current law. Making these recipients permanently eligible would increase spending on SSI benefits by \$41 million over the 1999-2003 period. Since most SSI recipients are automatically eligible for Medicaid, the bill would also increase spending on Medicaid benefits by \$36 million over the same period.

**Exclusion of Awards to Seriously Ill Children on SSI.** The bill would exclude from SSI eligibility determinations up to \$2,000 of awards made by charitable organizations to children with life-threatening diseases. These cash awards are usually part of a response to a wish, like a trip to Disneyland, made by nonprofit groups such as the Make-A-Wish Foundation.

Based on discussions with the Make-A-Wish Foundation, CBO estimates that about 10,000 terminally and seriously ill children are granted a wish each year. About 55 percent of these wishes involve travel, and the child's family often receives cash to pay for incidental expenses. This cash is considered income for SSI eligibility purposes, and benefits for some children have been reduced as a result. According to SSA, only one month's benefits for these children is usually affected since the travel-related cash is spent quickly. Recipients should receive their normal check the following month, although SSA will usually have to make a retroactive payment because of processing delays.

The Foundation's national office has encountered about a half-dozen cases of children losing some or all of their SSI benefits because of a wish, and estimates that a similar number have come to the attention of each of the Foundation's 82 local chapters. Based on these figures and accounting for wishes granted by other organizations, CBO estimates that about 700 children annually are affected. The exclusion in the bill would increase spending on SSI benefits for these children by \$525,000 in 1999 and about \$175,000 annually in later years. The figure for 1999 is higher because the bill would provide retroactive benefits to all children who have been affected in the last two years.

**Enhanced Recovery of SSI Overpayments.** Under current law, SSA can recover an overpayment of SSI benefits by withholding up to 10 percent of an individual's monthly SSI benefit. However, SSA does not have the authority to recover an SSI overpayment by withholding part of an individual's Social Security benefit, even though SSA administers

both programs. Section 8 of the bill would allow SSA to recover SSI overpayments by offsetting Social Security benefits. SSA would be allowed to withhold Social Security benefits only in cases where the individual was no longer receiving SSI and would be able to withhold no more than 10 percent of an individual's monthly benefit. SSA would also be allowed to waive repayment in cases where the recovery would pose a hardship to the recipient. Based on information provided by SSA, CBO estimates that this section would increase SSI recoveries, which are treated as offsetting receipts, by \$170 million over the 1999-2003 period.

## **PAY-AS-YOU-GO CONSIDERATIONS**

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in Table 2. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

TABLE 2. PAY-AS-YOU-GO EFFECTS OF H.R. 4558

|                     | By Fiscal Year, in Millions of Dollars |      |      |      |      |      |      |      |      |      |
|---------------------|--|------|------|------|------|------|------|------|------|------|
|                     | 1999                                   | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Changes in outlays  | -26                                    | -18  | -18  | -15  | -16  | -17  | -17  | -18  | -19  | -19  |
| Changes in receipts | 0                                      | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

Although some provisions of H.R. 4558 would place additional requirements on the implementation of large entitlement programs, the bill contains no intergovernmental mandates as defined in UMRA. CBO estimates that over the course of five years, these requirements would cost states \$32 million in additional Medicaid expenditures and \$13 million in additional payments for SSI supplements. However, states possess sufficient flexibility to alter their financial or programmatic responsibilities to offset the costs of these requirements. States would also benefit from increased ability to recover SSI overpayments that could include state supplements. The bill does not contain any private-sector mandates as defined by UMRA.

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